



Item No. 14 c

TOWN OF LAUDERDALE-BY-THE-SEA

AGENDA ITEM REQUEST FORM

Public Information Officer

Department Submitting Request

Steve d'Oliveira SD

Dept Head's Signature

Commission Meeting Dates	Last date to turn in to Town Clerk's Office	Commission Meeting Dates	Last date to turn in to Town Clerk's Office	Commission Meeting Dates	Last date to turn in to Town Clerk's Office
<input checked="" type="checkbox"/> May 25, 2010	May 14 (5:00 p.m.)	<input type="checkbox"/> July 27, 2010 August 2010	July 16 (5:00 p.m.) Aug 13 (5:00 p.m.)	<input type="checkbox"/> Oct 26, 2010	Oct 15 (5:00 p.m.)
<input type="checkbox"/> June 8, 2010	May 28 (5:00 p.m.)	<input type="checkbox"/> Sept 14, 2010	Sept 3 (5:00 p.m.)	<input type="checkbox"/> Nov 9, 2010	Oct 29 (5:00p.m.)
<input type="checkbox"/> June 22, 2010	June 11 (5:00 p.m.)	<input type="checkbox"/> Sep 27, 2010	Sept 17 (5:00 p.m.)	<input type="checkbox"/> Nov 23, 2010	Nov 12 (5:00p.m.)
<input type="checkbox"/> July 13, 2010	June 2 (5:00 p.m.)	<input type="checkbox"/> Oct 12, 2010 * Subject to change	Oct 1 (5:00p.m.)	<input type="checkbox"/> Dec 14, 2010	Dec 3 (5:00p.m.)

**NATURE OF
AGENDA ITEM**

- | | | |
|---|--|--|
| <input type="checkbox"/> Presentation | <input type="checkbox"/> Resolution | <input type="checkbox"/> Manager's Report |
| <input type="checkbox"/> Public Safety Report | <input type="checkbox"/> Quasi Judicial | <input type="checkbox"/> Attorney's Report |
| <input type="checkbox"/> Consent Agenda | <input checked="" type="checkbox"/> Old Business | <input type="checkbox"/> Other |
| <input type="checkbox"/> Ordinance | <input type="checkbox"/> New Business | |

SUBJECT TITLE: Report on the history of renting and attempting to sell the Town-owned Warehouse at 5421-23 NE 14th Avenue

EXPLANATION: Memo date May 10, 2010 from Public Information Officer, Steve d'Oliveira

STAFF RECOMMENDATION:

BOARD/COMMITTEE RECOMMENDATION:

FISCAL IMPACT AND APPROPRIATION OF FUNDS:

- | | |
|---|--|
| <input type="checkbox"/> Amount \$ _____ | <input type="checkbox"/> Acct # _____ |
| <input type="checkbox"/> Transfer of funds required | <input type="checkbox"/> From Acct # _____ |
| <input type="checkbox"/> Bid | <input type="checkbox"/> Grant <input type="checkbox"/> Amount represents matching funds |

Town Attorney review required

☐ Yes ☒ No

Town Manager's Initials: CHA

5/4/2010

Town of Lauderdale-By-The-Sea
4501 Ocean Drive
Lauderdale-By-The-Sea, Florida 33308-3610

Memorandum

Date: May 10, 2010
To: Connie Hoffmann, Interim Town Manager
From: Steve d'Oliveira / Public Information Officer *SDO*
Subject: LBTS warehouse Information / Updated memo

I reviewed several Town files and spoke with Kaola King and Don Prince regarding the Town warehouse in Fort Lauderdale at 5421-23 NE 14th Ave. I also spoke with the president of Advanced Asset Management, the licensed real estate consulting firm the Town hired to help the Town sell the property.

The warehouse was purchased by the Town in August 2003 for \$1.4 million. The building, which has 22,000 square feet, was bought by the Town to store street signs, poles and various Town equipment (because of the limited space available for equipment storage at the current Public Works facility adjacent to Town Hall).

Lease payment earnings

Because of the facility's large size, the Town leased part of the warehouse, which includes office space, to North Ridge Medical Center/Holy Cross and Tenet HealthSystem Medical, two health care corporations. Between September 2003 and January 2009, the Town received \$483,684 in combined lease payments. North Ridge, in fact, had been leasing space in the warehouse prior to the Town's purchase of the warehouse property. Our lease agreement with North Ridge/Tenet lasted five years. The Town received \$5,193 per month at the start and \$10,690 at the end; the amount was tied to how much space was rented. The per square footage cost didn't vary much. In the contracts I reviewed, it was either \$6.25 or \$6.56 per square foot. What did vary was the amount of space rented. Under the 2007 lease agreement, the Town was paid \$6.56 per square foot (North Ridge rented 9,499 square feet). The annual lease payments to the Town were \$62,313 (\$5,193 per month). An earlier agreement with us showed North Ridge renting 20,524 square feet (monthly payments to us were \$10,689).

Holy Cross paid the Town \$49,247 between March 2008 and January 2009.
Tenet paid the Town \$434,436 between September 2003 and March 2008.
These figures were directly provided to me by the Town's Finance Department.

The Town Commission in May 2008 approved spending \$1.77 million to purchase the motel at 4513 N. Ocean to house the new Public Safety Complex. Prior to the purchase, the Town had asked for appraisals to sell the warehouse. A review of the video of the May 27, 2008 Commission meeting clearly indicates that Commissioners wanted to sell the warehouse property "as soon as possible" to offset buying the Villa Orleans. It was also stated by the Town Manager that the Town already had the funds in the bank to buy the adjacent motel property from a loan it had taken out earlier for a previously planned "joint" capital improvement project to build a new fire station with the Broward Sheriff's Office.

Two warehouse property appraisals

The Town had two certified appraisals of the warehouse property completed in May 2008.

- The first appraisal (Steven D. Johnson, MAI) came in at **\$1,850,000**.
- The second appraisal (Miller Appraisal Group) came in at **\$2,075,000**.

Marketing efforts

The Town Commission approved contracting with Advanced Asset Management at its July 8, 2008 meeting for an amount not to exceed \$18,750. Advanced Asset, a real estate consultant that often works with cities, was the lowest bidder. The next lowest was a realtor who wanted a 5 percent commission on the sale of the property. Based on the lowest appraisal, this figure was \$92,500. The Town Commission wanted the contract with Advanced Asset to be for six months. In its proposal, Advanced Asset Management said it would work up to 150 hours at an hourly rate of \$125 per hour. This would include all their related expenses.

In its agreement between the Town and Advanced Asset Management of Hollywood (executed on July 9, 2008), the firm agreed to market the warehouse property for sale. On July 14, 2009, it submitted **one** invoice to the Town for 85 hours of work at the above mentioned rate for a total of \$10,625. In a letter to the Town, the firm said it discounted the number of actual hours it worked on the project due to the "declining market" in the economy at the time.

AAM was directed by the Town to market the warehouse property for the higher of the two appraisals. After marketing efforts failed to produce a buyer for the warehouse, AAM suggested the Town reduce the asking price by \$175,000. In February 2010 the Manager made that recommendation to the Commission.

Length of Contract

Even though the contract had a written notation indicating the agreement was for six months, in reality it was effective for one year. The bulk of the marketing efforts occurred in the first six months, as was reflected in the summarized work reports. Over the last six months, documents show the work consisted of mostly answering questions about the property and showing it to one potential buyer. The contract ended in July 2009, when the first and only invoice was submitted.

The one-page invoice for \$10,625 did not detail what was done to market the property. However, the firm sent the Town four Summarized Work Effort reports with details about the work it did to market the property. The work effort reports span a time period starting on July 17th, 2008 and ending on July 10th, 2009.

In its consulting services agreement with the Town, Advanced Asset Management proposed doing the following as it related to the property: "List the property in local media print, websites and Multiple Listing Service." It also proposed showing the property, marketing brochures, signage, etc.

I spoke with James Nardi, president of Advanced Asset Marketing. He said the Town's warehouse was never listed with the Multiple Listing Service because the Town was not willing to pay a commission on the sale, a requirement for obtaining a listing. AAM's agreement did not state that an MLS listing could only be obtained if the Town was willing to pay a commission on the sale of the land.

Purchasing Manual

The property was twice advertised for sale in the Sun-Sentinel in accordance with our Purchasing Manual, which requires the publication of a public notice to bid on the sale of Real Property. The official notice was published in June 2008.

Town Memo

In a memo to Town Commissioners dated Feb. 11, 2010, Town Manager Esther Colon pointed out that the Town – in contracting with Advanced Asset Management – chose not to hire a realtor in July 2008 to sell the warehouse property. She also stated that the Town staff would prepare an RFP to hire a realtor if the Commission desired to "contract with a realtor and list the property."

A review of the video from the July 8, 2008 meeting confirms that the Commission chose not to contract with a realtor because a 5 percent commission on the sale of the property would have cost the Town \$92,500. AAM was by far the cheaper way to go. In looking at AAM's contract, the Mayor stated that AAM said, among other things, that it would list the warehouse property with MLS. Judging by the conversation among the Commissioners, no one seemed to realize that the property could not be listed with MLS by not hiring a realtor.

Tax Exempt Status

The Town does not currently pay property taxes on the warehouse because we are tax exempt as a municipality, according to Jerrod Mathias, Associate General Counsel for the Broward Property Appraiser's Office. The warehouse property was also tax exempt in 2009. We did not receive a full tax exemption when the Town leased the property to private commercial interests. Mathias said the property is taxable to the extent that it is utilized for non-municipal purposes. If the Town leases out 53 percent of the property to a private commercial interest, we would only be taxed on 53 percent of the property. The Town would not be taxed if we rented it to a non-profit or charitable organization. Mathias said that under the law, the tax status of the property is determined every year on Jan. 1

Ten Percent Brokerage Fee

I spoke with Pamela Mereider of Earthrise Realty here in Lauderdale-By-The-Sea, who was familiar with the warehouse property. The brokerage fee for finding a tenant is 10 percent of the annual rent. She said that is a standard fee with all commercial realtors. What is not standard is how long the Town would have to pay this 10 percent fee. Earthrise drops its fee entirely after two years. Some realtors want five years; still others require the fee for the entire life of the lease.

Lease Issues

Municipal Services Director Don Prince said the Town would need to keep the southern half of the warehouse. He said the northern half along with the front office space area could be leased out. The Town would need to repair one air conditioning unit in the office space there. The estimated cost is about \$2,000. We would also need to maintain the other AC units (no estimate is available).

The Town would also require access to the fenced parking area but could share access. In the fenced parking area, the Town now keeps two dumpsters, some light poles, speed bumps, two trucks, rock, sand and miscellaneous equipment.

What's out there now

The Town stores vehicles, a hurricane trailer, a backup generator, special events supplies, streetlights, street signs, street poles, surplus furniture, benches, parking stops, and other miscellaneous supplies. Prince said he does not feel the

Town would need to utilize the unused space in the future. If the Town sells the property, it would need to find space for the equipment now being stored there. He also said the unused warehouse space would be needed if the Town were directly hit by a Category 3 Hurricane, because the Town would be under water.

Leasable Value Per Square Foot

I called Robert Miller of the Miller Appraisal Group and asked him where the Town could get an idea about the leasable value per square foot of warehouse space in that area. I am waiting to hear back from him about the leasable value.
